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SUBJECT: SCENESETTER FOR VISIT TO GHANA OF GENERAL JONES

Summary/Introduction

¶1. (SBU) Ghana is democratic, market-oriented, pro-American, and has one of the best human rights records in Africa. President John Kufuor is in his second term. Ghana is on the UN Security Council and the IAEA Board of Governors this year. As the first sub-Saharan country to achieve independence (in 1957), Ghana will celebrate its 50th anniversary of independence next year. Ghana exerts regional leadership in West Africa and is a major contributor to UN peacekeeping operations. President Kufuor has met President Bush six times, most recently in April 2006, and has positive views of the United States.

¶2. (SBU) Although Kufuor understands that economic growth is critical to continued political stability in Ghana, his government has been slow in reducing obstacles to foreign investment. His administration, however, has done an admirable macroeconomic job, and has built a relatively stable economy that promotes an environment for stronger growth.

¶3. (SBU) This message outlines U.S.-Ghana political, economic, military, and security relations. End Summary

U.S.-Ghana Relations

¶4. (SBU) Ghana is a reliable, democratic partner for the U.S. in peacekeeping, conflict resolution, counter-terrorism, and economic development. U.S. interests include maintaining Ghana's fourteen-year-old democracy, greater opening of markets and overall economic liberalization, and the reduction of poverty. Key components of the broad U.S.-Ghana relationship are:

¶5. (SBU) Democracy: Ghana's December 2004 parliamentary and presidential election, the fourth election under the 1992 constitution, was free, fair and generally peaceful. Ghana has an open, lively media and civil society, a largely independent judiciary and Electoral Commission, and an apolitical military. It generally respects human rights and rule of law. However, the long-term success of Ghana's constitutional democracy is not yet certain and democratic institutions are weak. While Ghana scores better than many countries in Africa on Transparency International's Corruption Perception Index (65th globally on the CPI), corruption remains a serious concern. Anti-corruption institutions are weak and under-resourced. We supported the 2004 election with Mission observers and \$1.3 million in election assistance. We have programs to strengthen parliament, the judiciary, the police, customs, and the media.

¶6. (SBU) Development Assistance and Trade: USG assistance to

Ghana is approximately \$75 million annually, including one of USAID's largest programs in Sub-Saharan Africa. Ghana will receive approximately \$65 million in USAID grant assistance and food aid per year in FY2006, with focus on education, health, HIV/AIDS, environment, trade and investment, and democracy and governance. This includes a \$22 million per year Food for Peace program which will be phased out by FY2009. Overall trade is growing, as U.S. exports to Ghana in 2004 increased to \$300 million, a 50% increase over 2003, and Ghana is consistently the fifth or sixth largest market in Africa for U.S. goods. USTR considers Ghana a "pacesetter" country, due to its relative success in diversifying its exports under AGOA.

¶17. (SBU) Security Cooperation: We have a robust mil-mil relationship, in part growing from Ghana's outstanding contribution as the seventh largest contributor to UN peacekeeping forces worldwide, and its role in supporting regional stability. Ghana was key to peace efforts in Liberia and Cote d'Ivoire. Ghana plays a constructive, low-key role, in support of the Economic Community of West African States (ECOWAS). Kufuor served as Chair of the ECOWAS for two terms, ending January 2005. ECOWAS Executive Secretary Mohammed Ibn Chambas is Ghanaian. Ghana has also

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been hospitable to refugees and currently hosts about 60,000 refugees, mostly Liberian. We support Ghana's regional role through USAID's West Africa Regional Program (WARP) and through our Refugee Coordinator Office, both based in Accra.

¶18. (U) People-to-people relations: This is at the core of our strong bilateral relationship. We were the second country (after the UK) to recognize Ghanaian independence in 1957, and opened our first Peace Corps program in the world in Ghana in 1961 which has continued uninterrupted since

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opening. Hundreds of thousands of Ghanaians live in the U.S., and we issue more immigrant visas in Accra than anywhere else in Africa, i.e. more Ghanaians are entering the U.S. legally to establish residence than from any other African country. U.S. visas are highly-prized and there is considerable fraud in applications for U.S. visas.

Internal Political Situation

¶19. (SBU) President Kufuor is 15 months into his second term and has shown continuity in his ministerial appointments, his priority themes, and his deliberate approach to governance. On April 27, 2006 the President reshuffled his Cabinet, sacking six ministers, eliminating three ministries and shifting some major portfolios. The reshuffle penalized perceived disloyalty within his ranks and reasserted his control over his Cabinet. It also took out of the Cabinet one of the major presidential aspirants for the ruling party ticket, Minister of Education Yaw Osafo-Maafo.

¶10. (SBU) In response to rising global oil prices and IMF pressure, Kufuor raised petrol prices and established a National Petroleum Authority. The GOG is making strides toward signing a Millennium Challenge Account (MCA) agreement, has already passed a trafficking in persons law, and guaranteed free primary education for the first time. Kufuor also offered Ghana as the first country to be reviewed in the New Partnership for Africa (NEPAD) Peer Review Mechanism.

¶11. (SBU) Ghanaian politics remain highly polarized. The New Patriotic Party (NPP) and National Democratic Congress Party (NDC) are closely matched (numerically) in parliament. NDC parliamentarians complain that the NPP uses its narrow majority to merely force through laws. Tensions between the two parties will likely worsen as they prepare for District

Assembly elections later in 2006 and presidential/parliamentary elections in 2008. There are several competitors within the NPP hoping to succeed Kufuor, including ministers and the Vice President, all of which is causing some friction at the top of the administration. The NDC held its national convention in December. It remains divided and financially weak. Former President Rawlings still exerts a strong influence on the party but many in the party (including former presidential candidate John Atta Mills) want to distance themselves from the ex-president. Neither party has a strong ideological focus, although the NPP is clearly more pro-business and pro-American.

¶12. (SBU) In Kufuor's second term, Ghana's free media has made new charges of corruption against his government. Energy Commission Members were forced out under a cloud of allegations, and the Administration was criticized for corruption in the creation of Ghana International Airlines. There was little transparency in either of these actions, fueling suspicion about malfeasance. The Commission on Human Rights and Justice (CHRAJ) recently exonerated the President of alleged corruption in a corrupt hotel deal involving an Iraqi-American woman who claims she had an extra-marital affair with the President. Two opinion polls in 2005 revealed the perception that corruption is growing in Ghana. Corruption will continue to be an issue for the foreseeable future.

Security

¶13. (SBU) Ghana's 10,000 strong military is now distinguished by its allegiance (over the past five years) to elected civilian leadership, its rich peacekeeping tradition and a close relationship to the United States. Since 1960, over 80,000 Ghanaian soldiers and police have participated in peacekeeping missions worldwide and 2,584 Ghanaians are currently deployed in the Democratic Republic of Congo, Lebanon, Liberia and Cote d'Ivoire. We have supported the Ghanaian military through our Excess Defense Articles (EDA) program; the International Military Exchange Training (IMET) program; the Foreign Military Sales (FMS) and Foreign Military Funding (FMF) programs; the Enhanced International Peacekeeping Capabilities (EIPC) program; the African Contingency Operations Training and Assistance (ACOTA) program; and a robust DoD Humanitarian Assistance (HA) program. Ghana will likely receive even more support under the Global Peace Operations Initiative (GPOI). Ghana opened the Kofi Annan International Peacekeeping Training Center (KAIPTC) in 2004, the only center of its kind in West Africa. The United States European Command (EUCOM) now has a liaison officer stationed at the KAIPTC and has provided

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approximately \$1 million in funding support.

¶14. (SBU) Our mil-mil relationship also includes West Africa Training Cruises and Joint Combined Exchange Training. Ghana is only the second sub-Saharan African country (after South Africa) to be a member of the State Partnership Program (SPP), partnered with the North Dakota National Guard, which will further strengthen mil-mil and civilian-military ties. Ghana participates as an African Fuel Initiative Hub country, and permitted the construction of an Exercise Reception Facility (ERF) at Accra Air Base under an addendum of a Technical Arrangement (TA) signed in 2005. Ghanaians avidly participate in DOD's Counterterrorism Fellowship program (CTFP). Military visits over the past year included six ship visits (most recently from the USS Emory S. Land), twelve General Officer or Flag Officer visits, and two regional maritime and coastal security conferences.

State of the Economy

¶15. (SBU) In 2000, the Kufuor government inherited high debt levels, accelerating inflation and interest rates, a plummeting currency (the "cedi"), all exacerbated by declining world cocoa and gold prices (the main foreign exchange earners), and rising crude oil prices. President Kufuor has strengthened fiscal and monetary policies considerably, reining in spending and borrowing, and cutting subsidies by imposing badly needed energy and water price increases.

¶16. (SBU) The improved policy performance along with higher cocoa and gold prices since 2002 resulted in higher economic growth, reaching 5.2% in 2003 and 5.8% in 2004. Tight monetary policies since mid-2003 restored confidence in the economy, and the IMF calls the government's control of expenditures during the 2004 election year an "historic achievement." As a result of the GOG's policies, inflation fell from over 30% in mid-2003 to below 12% for 2004. The annual inflation rate is now about 10-11%, mostly due to high world oil prices. Key short-term interest rates have also fallen to below 10%. The cedi has been relatively stable against the dollar for two years.

Positive Economic Trends: MCA and Regional Role

¶17. (SBU) Ghana has become the gateway to West Africa due to its political stability, economic reforms, and the persistent turmoil elsewhere in the region. Trade and investment flows to and through Ghana are increasing. Businesses, embassies, NGOs, and international organizations are increasing their presence, choosing Ghana as a regional hub.

¶18. (SBU) In May 2004, Ghana became eligible for Millennium Challenge Account (MCA) funding, based on its performance in competition with other developing countries. We expect a compact to be signed in July 2006. Ghana has a \$500 million draft proposal, focused on agri-business, one which promises to deliver on both poverty reduction and economic growth.

¶19. (SBU) In July 2004, Ghana reached Completion Point under the Heavily Indebted Poor Country (HIPC) Initiative, resulting in \$4.2 billion debt relief. This achievement also ensured Ghana's eligibility for further G-8 debt relief. Ghana is also receiving large foreign remittance flows, estimated at \$4.77 billion in 2005, as well as increasing foreign investment from companies such as Newmont Mining and ALCOA from the U.S. The government has resolved many of the investment disputes that undermined U.S.-Ghana relations in recent years, but the investment climate is often still unwelcoming for foreign firms.

¶20. (SBU) Standard and Poor's assigned Ghana a relatively high "B plus" sovereign credit rating. Fitch Rating Agency upgraded Ghana to a "B plus" rating in March 2005, citing HIPC Completion Point, improved economic indicators, and fiscal restraint through the election cycle.

Concerns: Energy, Business Climate, External Shocks

¶21. (SBU) The government faces major challenges in its economic reform effort. While the Finance Ministry and Central Bank have credibly implemented macroeconomic reforms, the GoG has been slow to implement the politically sensitive next level of reforms, including privatization of utilities, lowering trade barriers, improving the investment climate,

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and attacking corruption (especially in the ports). The overall challenge now is to translate economic reform into improved living standards for Ghanaian citizens. Pressure has increased on President Kufuor to increase spending and

delay politically difficult reforms.

¶22. (SBU) High energy costs undermine the recent real gains in economic growth. Also, despite Kufuor's promise of a "Golden Age of Business," Ghana remains a difficult place to do business. Contract sanctity and difficulty in obtaining clear land title are huge concerns and Ghana's congested courts make it difficult to resolve disputes. The average time to start a business exceeds 80 days, which contributes to corruption, as the heavy paperwork and licensing requirements create incentives to bypass normal channels. Kufuor's ability to reduce poverty for ordinary Ghanaians will probably be the decisive issue in the 2008 election. Finally, not only is Ghana's infrastructure in poor condition, but its slow progress toward diversification and dependence on commodity exports leaves it highly vulnerable to external shocks.

¶23. (SBU) Ultimately, history and culture are also in part barriers to reform, as Ghana was the home of Pan African Socialism and many Ghanaians view American-style capitalism and the quest for private wealth as destructive of national harmony. They expect the government to provide a basic standard of living for all, and many do not fully understand the necessity for sustainable private enterprises. Rather they continue to place their confidence in job creation through state-owned enterprises. The growing private sector focus of the last five years has created new tensions and underpins the opposition's egalitarian rhetoric. Yet despite these areas of concern, the overall outlook is positive. If Ghana maintains fiscal and monetary discipline, world oil prices stabilize, and favorable external conditions continue for gold and cocoa, the economy should remain stable and continue growth levels above 5.0%.

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